
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Wind Energy Production Tax Credit

The Wind Energy Production Tax Credit can be earned by the owners of a qualified wind energy production facility. To qualify, a facility must be located in Iowa, must produce electricity from wind, and must have been originally placed in service on or after July 1, 2005, but before July 1, 2012. The facility must also have received approval from the local board of supervisors and the Iowa Utilities Board (IUB). In addition, the turbine or turbines of the facility must have a combined nameplate capacity of at least 2.0 megawatts and no more than 30.0 megawatts.

The tax credit is equal to \$0.01 per kilowatt-hour sold or generated for on-site consumption. Tax credits are earned for a 10-year period beginning on the facility's original in-service date. The total amount of wind energy capacity allowed to qualify for tax credits is 50.0 megawatts.

Projects approved for the Wind Energy Production Tax Credit are not allowed to benefit from Iowa's [Renewable Energy Tax Credit](#), a program that also provides tax credits for electricity produced through wind power.

Tax Credit Background

- Enabling Legislation: [2004 Iowa Acts, chapter 1175](#) (Appropriations and Miscellaneous Changes Act of 2004)
- Iowa Code Citations:
 - [Chapter 476B](#) – Program Description
 - [Section 422.11J](#) – Individual Income Tax
 - [Section 422.33\(16\)](#) – Corporate Income Tax
 - [Section 422.60\(7\)](#) – Franchise (Bank) Tax
 - [Section 423.4\(4\)](#) – Sales and Use Tax Refund
 - [Section 432.12E](#) – Insurance Premium Tax
- Administrative State Agencies: IUB and Iowa Department of Revenue
 - Sunset Date: July 1, 2012 (credits may be earned for up to 10 years after the sunset date)
 - Transferrable: Yes
 - Refundable: No
 - Carryforward: Unused credits may be carried forward for up to seven tax years
 - Tax Review Committee Review Year: 2014

Legislative History

As originally enacted in 2004, the \$0.01 per kilowatt-hour production tax credit was available for projects placed in service between July 1, 2004, and June 30, 2007. Also as originally enacted, there was no limit on the total

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report/Contingent-Liabilities

Department of Revenue Tax Credit Review:
[tax.iowa.gov/sites/files/idr/iowa's Biofuel Retailers Tax Credits Evaluation Study 2014.pdf](http://tax.iowa.gov/sites/files/idr/iowa's%20Biofuel%20Retailers%20Tax%20Credits%20Evaluation%20Study%202014.pdf)

Department of Revenue Tax Credits Users' Manual:
[tax.iowa.gov/sites/files/idr/Tax Credits Users Manual 2017 \(1\).pdf](http://tax.iowa.gov/sites/files/idr/Tax%20Credits%20Users%20Manual%202017%20(1).pdf)

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

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megawatts of installed capacity that could qualify for the production tax credit. In subsequent years, the placed-in-service deadline was extended several times until it reached the final date of June 30, 2012. Over the years, a maximum megawatt capacity that could qualify for the credit was established, initially at 450.0 megawatts. By the conclusion of the placed-in-service period, the total allowed capacity was reduced to 50.0 megawatts. The establishment of a total megawatt limit and the limit's subsequent reduction coincided with the creation of a separate Renewable Energy Tax Credit for wind energy and the expansion of that tax credit over time.

Tax Credit Review, Usage, and Future Liability

According to the July 2018 update from the IUB on [approved tax credit projects](#), over the course of the program four projects located in northwest and northeast Iowa were approved for the Wind Energy Production Tax Credit. Combined, the projects were approved for the entire 50.0 megawatts of available tax credit capacity. The four projects were placed in service in 2009 and 2011. With the 10-year tax credit window, the projects will cease earning Iowa tax credits March 2019 and December 2021. Due to credit carryforward provisions, actual redemption of the tax credits could continue for up to seven additional tax years.

The following is based on a Department of Revenue review of the Wind Energy Production Tax Credit released December 2014, on the most recent update (July 2018) on approved tax credit projects from the IUB, and on 2017 U.S. Energy Information Administration (USEIA) wind energy data ([Form EIA-860](#)):

- Four projects were approved for the Wind Energy Production Tax Credit, totaling 50.0 megawatts of nameplate capacity. The first project became operational in March 2009, and the final project in December 2011. With expiration of the placed-in-service deadline of June 30, 2012, no unused capacity remained within the program.
- For reporting years 2009 through 2013, \$5.2 million in Wind Energy Production Tax Credit certificates was issued, representing credits earned on 516.6 million kilowatt-hours of wind-produced electricity.
- The tax credits are not refundable, but can be transferred to another taxpayer. Just over 87.0% of the tax credits awarded from 2009 through 2013 were transferred. For 2007 through 2014 and across the two tax credit programs, production tax credits were awarded through a variety of tax types, including:
 - Insurance Premium Tax -- 32.8%
 - Corporate Income Tax -- 26.7%
 - Franchise (Bank) Tax -- 17.6%
 - Utility Property Tax Replacement Tax -- 15.7%
 - Remaining Tax Types -- 7.2%
- The nameplate capacity of a wind turbine is the theoretical maximum output of the turbine at ideal wind and operating conditions. The actual energy production over time is an amount below the nameplate capacity. Actual energy production in a year divided by the theoretical maximum is a percentage referred to as a turbine's "capacity factor." For the 2014 report, the Department of Revenue calculated that the capacity factor across all tax credit projects for both production tax credit programs was 18.4% in 2007, was 23.9% in 2008, and had increased to 38.7% in 2013.
- According to USEIA 2017 data, there is 7,098.7 megawatts of operating nameplate wind energy capacity in Iowa, installed as 4,044 turbines. According to the IUB tax credit project list, 178.1 megawatts of nameplate wind energy capacity has qualified for State production tax credits for the two wind energy tax credit programs. This represents 2.5% of the installed wind energy capacity in Iowa.¹

The Department of Revenue reports on the annual credit usage for the Wind Energy Production Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table and graph provide credit redemption history and projections for the Wind Energy Production Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions. The drop off in projected tax credit redemptions beginning with FY 2022 reflects the end of the 10-year tax credit earning period for approved projects.

¹ The USEIA dataset covers wind energy projects that became operational from 1998 through 2017. Several projects on the IUB list of tax credit recipients do not appear in the USEIA list, so the actual installed capacity in Iowa is likely greater than 7,098.7 megawatts.

Wind Energy Production Tax Credit History

* Projected

| Fiscal Year | Tax Credit Redemptions | Fiscal Year | Tax Credit Redemptions |
|-------------|---------------------------|-------------|---------------------------|
| FY 2005 | \$ 0 | FY 2014 | \$ 949,203 |
| FY 2006 | 0 | FY 2015 | 1,223,907 |
| FY 2007 | 0 | FY 2016 | 1,062,804 |
| FY 2008 | 300 | FY 2017 | 1,206,421 |
| FY 2009 | 0 | FY 2018 * | 1,381,899 |
| FY 2010 | 516,821 | FY 2019 * | 1,520,654 |
| FY 2011 | 726,025 | FY 2020 * | 1,529,452 |
| FY 2012 | 763,797 | FY 2021 * | 1,527,029 |
| FY 2013 | 849,849 | FY 2022 * | 680,575 |

Wind Energy Production Tax Credit Redemptions

